AEGIS **Value Fund**

Portfolio Manager's Letter
Quarter Ended June 30, 2015

July 31, 2015

Dear Aegis Investor:

The Aegis Value Fund gained 8.45 percent in the second quarter, outperforming its primary benchmark, the Russell 2000 Value Index, which declined 1.20 percent. Past performance figures for both the Aegis Value Fund and the Russell 2000 Value benchmark index are presented in **Table 1**, below.

Table 1: Performance of the Aegis Value Fund as of June 30, 2015

			Annualized					
	Three Month	Year-to-Date	One Year	Three Year	Five Year	Ten Year	Since I Share Inception*	Since A Share Inception*
Aegis Value Fund Cl. I	8.45%	2.82%	-25.91%	6.02%	9.68%	5.17%	9.39%	NA
Aegis Value Fund Cl. A at NAV	8.39%	2.67%	-26.08%	NA	NA	NA	NA	-18.55%
Aegis Value Fund Cl. A-W/Load	4.35%	-1.18%	-28.85%	NA	NA	NA	NA	-20.84%
Russell 2000 Value Index	-1.20%	0.76%	0.78%	15.50%	14.81%	6.87%	7.99%	3.87%

** Aegis Value Fund Class I (AVALX) and A (AVFAX) Inception were 5/15/98 and 2/26/14, respectively.*

Performance data quoted represents past performance and does not guarantee future results. Current performance may be lower or higher than the performance data quoted. The investment return and principal value will fluctuate so that upon redemption, an investor's shares may be worth more or less than their original cost. For performance data current to the most recent month end, please call us at 800-528-3780 or visit our website at www.aegisfunds.com. Performance data for the Class A shares with load reflects the maximum sales charge of 3.75%. Additionally, performance for the Class A Shares without load is shown at NAV, and does not reflect the maximum sales charge. If reflected, total return would be reduced. The Fund's Class I (AVALX) and Class A (AVFAX) shares have an annualized gross expense ratio of 1.47% and 1.79%, respectively. The Fund Class I and Class A 's net annualized expense ratio, after fee waiver, is 1.46%, and 1.75%, respectively. The Advisor has contractually agreed to waive fees through 4/30/2016.

The strongest contributor to Fund performance in the second quarter was **Alliance One International (AOI)**, which added nearly 7 percentage points to returns. With more than $2 billion in revenue, Alliance One is a highly-regarded global leaf supplier to the tobacco industry. As reported last quarter, we took advantage of an oversold situation, adding significantly to our position in this $200 million market cap company in early 2015, making Alliance One our Fund's top holding. While shares strongly recovered in the second quarter, increasing 117 percent, we currently believe our stake in Alliance One has the potential to deliver meaningful additional upside, as several drivers of fundamental improvement we have identified have not yet flowed through to reported financial results. The company is now in the process of cutting $30-35 million in annual costs and is also working to rationalize its global footprint, which we estimate could free up more than $100 million in capital over time for debt reduction and materially improve the company's financial position. The company is also in the process of bringing on significant additional business as manufacturers outsource a greater portion of their leaf procurement operations. Furthermore, lower Brazilian Real costs are expected to help in improving future margins. Overall, we believe the company has the potential over the long-term to generate nearly 10 percent operating income margins, which, if achieved would result in significant cash flow available to reduce indebtedness. The company has already redeemed and cancelled $15 million of its bonds in the last two reported quarters. At quarter-end, shares in Alliance One comprised a sizeable 12.44 percent of Fund assets.

Perhaps one of the largest investment trends over the last several years has been the migration of capital towards passive, equity index investing. With Warren Buffett, John Bogle, and much of the efficient market-oriented academic community heralding the pitfalls and management expense associated with active management, investors have been moving in droves towards index funds. In the last 12 months alone, Morningstar recently calculated that active U.S. equity funds have suffered a worst-ever record $156 billion in mutual fund redemptions, while passive funds that track various indices took in more than $150 billion. We understand nearly 93 percent of all the net new fund flow from retail investors went into passive index funds in 2014. According to Morningstar, passive U.S. equity funds have now mushroomed to $2.4 trillion in assets while active U.S. equity funds have shrunk to just $3.8 trillion of remaining assets.

With such a high proportion of aggregate equity investment now concentrated on index investing, we are beginning to see what we believe is evidence of material market dislocations associated with index related herding behavior. When the amount of assets invested passively is small compared to the overall market, passive investors are essentially able to "free ride" on equity prices set by active managers. However, when passive investors become too large a portion of the market relative to active investors, the pricing mechanism can break down as the large dollar amounts of indexed capital begins to overwhelm active managers and heavily influence stock prices. One area where large market dislocations can often be seen is during index rebalances and deletions, which often result in a significant level of non-fundamental oriented selling and price volatility as index fund managers are forced to sell stocks that are no longer listed in the underlying index.

Index deletions can offer lucrative buying opportunities for long-term oriented, active managers able to stomach the forced liquidations and resulting near-term price volatility. In the second quarter, an unusually high number of Fund positions were ejected from the Russell 2000 Value Index. **Universal Stainless & Alloy Products (USAP)**, **Rubicon (RBCN)**, **Alliance One International (AOI)**, **Mitcham Industries (MIND)**, **Resolute Forest Products (RFP)** and **Comstock Industries (CRK)** were all deleted from the Russell 2000 Index in a change that became effective on June 26th. Consequently, many of these positions came under significant selling pressure during the quarter and in July as index funds eliminated their holdings of these names. At quarter end, these positions and other recent index discards purchased by the Fund represented a hefty 22.1 percent of Fund assets. Stock prices of companies eliminated from the index can languish for a period as ejected stock positions bounce around amongst speculators and short-term trading desks in search of a more permanent home.

Resolute Forest Products (RFP) was ejected from the Russell 2000 Index after Russell determined that the $850 million market-cap company was no longer qualified for inclusion as a U.S. stock. Although Resolute's share trading is primarily done on U.S. exchanges, two-thirds of Resolute's revenues are from U.S. customers, and little had changed recently with respect to the company's global manufacturing footprint, Russell somehow determined that a change should be made. The 34.8 percent second quarter decline in Resolute shares sliced an estimated 1.45 percent off Fund returns, making it the position most negatively impacting quarterly performance. In the case of Resolute, the forced selling from index funds upon index ejection occurred at the same time company fundamentals were hitting a soft patch, and the company's quarterly EBITDA had tumbled sequentially from $106 million to $64 million amid a difficult operating environment. The company's newsprint and other mechanical paper businesses, already combatting secular demand challenges, encountered additional pricing pressures from increasingly competitive foreign producers as dollar strength eroded the competitive position of several of the company's U.S.-based facilities.

Highly focused on the bearish short-term outlook for newsprint, investors are failing to recognize the significant long-term value of Resolute's integrated saw mill, paper and pulp network. Management has been focused on better integrating the supply chain to realize efficiencies. Resolute recently spent nearly $75 million on two sawmills and an additional nearly $110 million on a continuous digester. These projects, which expect a 3-year payback, are currently in start-up mode. Furthermore, a $270 million tissue plant has recently been green-lighted which, given tissue prices today, we expect would conservatively add in excess of $65 million of annualized EBITDA starting in 2017. Furthermore, while newsprint pricing has been in decline, other high cost producers are currently in the process of closing capacity. Howe Sound Newsprint recently announced it would permanently shut operations, removing almost four percent of North American capacity. Additionally, Kruger, the number three player in North American newsprint, is reportedly in negotiations with its labor unions to permanently transition a significant proportion of its newsprint operations to instead produce recycled containerboard. Kruger's potential reduction would represent another four percent of North American newsprint capacity. We believe Resolute, with only $275 million of net debt, and with fairly low cost production capacity, is in great shape to weather the current storm and benefit from the capacity reductions in the long-term. Trading at just 0.4 times tangible book value and with an enterprise value of roughly three times our estimate of normalized EBITDA, we believe Resolute stock offers compelling value. Resolute management appears to agree with us, as the company repurchased 3.2 million shares, over three percent of those outstanding, in the second quarter. At the end of June, the Fund's Resolute position comprised 3.0 percent of Fund assets. Just a few days ago, the company reported a much improved second quarter EBITDA of $89 million. Despite the better results, however, Resolute's shares have continued to languish. We have been taking advantage of the continued weakness in share prices to add to our holdings.

The Fund's largest purchase of the quarter was **Mitcham Industries (MIND)**. We increased our position in the $48 million market-cap seismic equipment manufacturing and leasing company at quarter-end as share prices dropped after the company was also ejected from the Russell 2000. With energy exploration budgets plunging, leasing demand for seismic equipment is looking anemic over the near-term, resulting in extraordinarily poor investor sentiment. Yet with only $14 million of net debt, the company is well positioned to survive the downturn and prosper over the long-term. We believe Mitcham today is a compelling value. On a cash flow basis, we project that despite the environment, the company is likely to generate $25 million of EBITDA in 2015, primarily on the strength of Mitcham's steady, high-margin marine seismic equipment repair parts business. The company also trades at an inexpensive 0.35 times book value, with a strong balance sheet that includes $42 million of net working capital and an additional $95 million of seismic equipment in its lease pool. With Mitcham having generated $63 million of EBITDA in 2012, we believe that Mitcham stock has several multiples of upside should energy prices recover and exploration budgets once again begin to grow.

We continue to maintain large investments across the energy and metals and mining segments. At quarter-end, Fund positions in these two segments represented approximately 16.9 percent and 20.4 percent of Fund assets, respectively. The Fund has another 10.3 percent invested across paper, specialty steel and steel distribution companies which, when added to the Fund's metals and mining stock holdings, aggregates to 30.7 percent invested in the broad-based materials sector. Fund holdings in the energy and materials sectors continue to be significantly higher in recent quarters than those of the Russell 2000 Value benchmark, which at quarter-end maintained just a 6.3 percent allocation to energy stocks and a 3.9 percent allocation to materials stocks. We have held large investments in these sectors for some time as we have concluded they offer strong value with good upside opportunity relative to the broader market. Within our deep value investing universe, energy and material stocks are dominant, with energy stocks actually comprising a hefty 42.0 percent of all North American stocks trading at less than 80 percent of book value, while materials stocks comprised 17.3 percent of this universe at quarter-end. Outside of these two sectors, the market appears to be much more fully valued on the whole. In the second quarter, Fund holdings within the energy and materials sectors positively impacted quarterly Fund performance by approximately 0.6 percent and 1.3 percent, respectively.

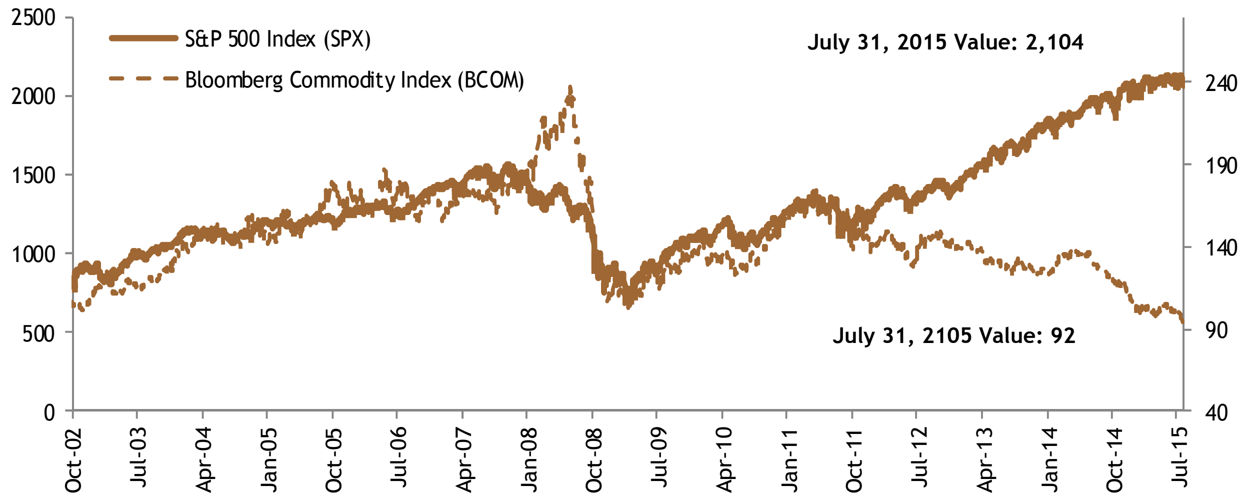
Starting in mid-May, however, commodities began to experience significant selling pressure, with prices breaking materially lower post quarter-end. In the nearly 10 weeks since mid-May, oil has dropped a significant 26.9 percent, copper has fallen 20.1 percent, silver has declined 18.1 percent, and gold has fallen by 11.2 percent. July was one of the worst months for commodities prices in several years, with oil experiencing its worst monthly decline since the financial crisis. As a result, the commodity and resource intensive deep-value discount-to-book investment universe did extraordinarily poorly in July. We calculate that a market-cap weighted index of all North American equities with market caps under $5 billion trading at less than 80 percent of book value would have declined approximately 15.2 percent in dollar terms in the month of July.

A confluence of several factors appears to be at play with respect to the rapid decline in the price of commodities. The U.S. dollar Index rallied a massive 4.5 percent over the last two weeks of May amid heightened concerns in the Eurozone over a Greek exit, increased anticipation of a hike in U.S. interest rates, and record capital outflows from China. We suspect a rapidly increasing dollar has put significant strain on non-U.S. entities that owe nearly $9 trillion in dollar denominated debt worldwide. The resulting increased international financial pressure, as well as direct disposal of commodities as a result of the unwinding of dollar-denominated borrowings is likely to be weighing on commodity prices as the dollar climbs. With respect to oil in particular, the additional announcement of a sanctions-lifting deal with Iran has also raised concerns over the prospect of up to an additional million barrels a day flooding into an oil market struggling in recent months with excess supply amid signs Middle East producers have been pumping crude at near record levels.

Also negatively affecting commodities was the precipitous decline in Chinese equities, which plunged approximately 32 percent over the course of 17 trading days in late June and early July amid substantial margin selling before a heavy handed Chinese government intervention which led to the trading suspension of half of the share issues in Shanghai and Shenzhen. According to a recent London Telegraph article, large shareholders were prohibited from selling, and short sellers were even hunted down using police investigative tactics. New offerings were suspended, and 300 corporate bosses were strong-armed into buying in their own shares. China's brokerage houses were also reportedly forced to participate in a government orchestrated market support equity buying program.

At the moment, many western investors are increasingly fearful that the Chinese market decline is an indicator that the Chinese economy is on the brink of implosion. Given China represents a significant share of global demand for energy and many other commodities, heightened concern over a Chinese slowdown and a rapid fall-off

Figure 1: Bloomberg Commodity Index (BCOM) and the S&P 500 Index (SPX)



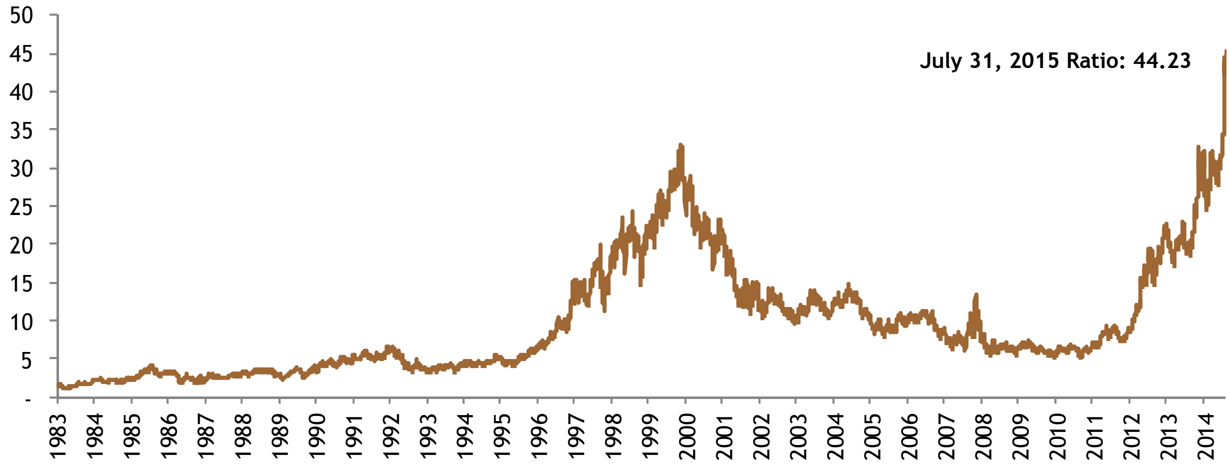
Source: Bloomberg (Data from 10/1/02 to 7/31/15)

in Chinese demand is certainly a major factor depressing commodities prices. Our view on China is somewhat more sanguine. While we are skeptical of the ability of any country with such high levels of centralized government economic planning and control to exhibit strong growth over the long-run, we do not believe China is imploding. While the Chinese market "crash" may make for exciting headlines, investors must consider that the Shanghai Composite Index is still up 63 percent over the last 12 months, and up 12 percent year to date. Given the spectacular Chinese market gains of recent quarters, we doubt the decline will seriously impact Chinese consumption, particularly given that only 12-14 percent of Chinese overall wealth is invested in equities. Chinese bank deposits are reportedly also continuing to grow at a strong clip. With the recent decline, we understand aggregate margin loan balances in China are now down 40 percent from the recent peak. With margin loans estimated by UBS at Renminbi (RMB) 2.5-3.0 trillion representing only a small fraction of the Chinese banking system's RMB 180 trillion in assets, we believe the possibility of Chinese financial system contagion from the recent Chinese market slide is limited. Our suspicion is that the recent precipitous drop in commodities prices may not be so much a reflection of a big decline in underlying consumer demand, but instead be more technical, liquidity-driven, and temporary in nature. Liquidation restrictions on the short sale of stocks and on the disposal of large equity positions may have left financial institutions scrambling to sell commodities to hedge illiquid Chinese equity exposures or raise operating liquidity. If our suspicions are correct, then we may see a recovery in commodities over the next few quarters as the financial situation in China stabilizes.

We realize it is not emotionally comfortable to remain patiently invested in declining commodities and energy stocks when the S&P 500 Index is soaring to lofty heights. With the Bloomberg Commodity Index at a 13-year low, having now fallen below the low levels set during the 2008-2009 financial crisis, we believe the commodities markets are likely now close to a bottom, and today already discount a pretty dire worldwide economic scenario inconsistent with lofty U.S. equity market levels (See **Figure 1**). Gold is now at a 5-year low, and copper is at its lowest point since July of 2009. According to the CFTC, money managers have turned net bearish on gold futures and options for the first time ever in data going back to 2006. As can be seen in **Figure 2**, while the ratio of the S&P 500 Index to the Philadelphia Gold & Silver Index has hit a 30-year high, the Market Vane poll of commodities traders showed that gold bulls have dropped to just 28 percent, a 14-year low.

While the conventional financial press continues to emphasize the potentially negative impacts on gold from higher interest rates, thoughtful investors must also consider that gold prices actually increased during the last three interest rate increase cycles. Given the leverage in the financial system today, it is difficult to imagine significant interest rate hikes will be made in the near future. While commodities today appear oversupplied, clearly the supply of gold, oil and other commodities is in the process of being rationalized as new resource projects are delayed or cancelled.

Figure 2: Ratio of the S&P 500 Index (SPX) to the Philadelphia Stock Exchange Gold and Silver Index (XAU)



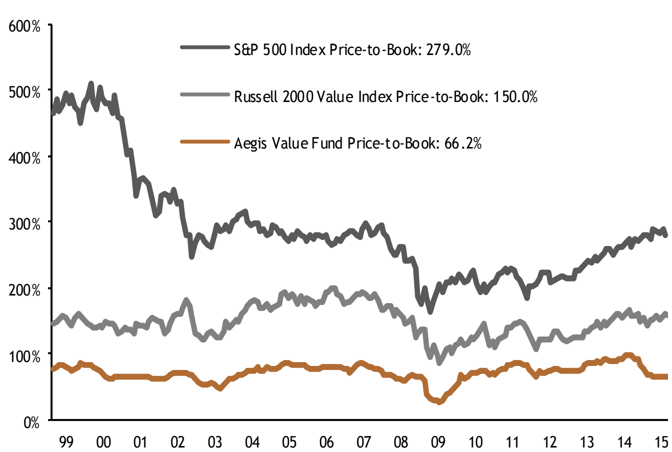
Source: Bloomberg (Data from 12/19/83 to 7/31/15)

Mining stocks have now declined far in excess of the gold price. In fact, the long-running Barron's Gold Mining Index recently reached its lowest level against gold in 70 years. Valuations in the metals and mining sector currently appear to be extraordinarily low. The well-known, successful long-term gold market investor Pierre Lassonde, now Chairman of Franco Nevada, recently commented to *Grant's Interest Rate Observer* that metals sentiment was "the worst I've seen in 30 years… I've never seen gold equities trading at such a low valuation in 30 years. Even in the worst of 1980, 1986, 1991 – even in 2000, the valuations were better than this."

At Aegis, we intend to patiently hold on to our positions in the metals and mining stocks in anticipation of a turn. Fortunately, while the prices of the commodities have been on the decline, many of our particular metals and mining holdings, including **Coeur Mining (CDE)**, **Nevsun (NSU)**, **Continental Gold (CNL)**, **Lake Shore Gold (LSG)**, **Avino (ASM)** and **Dalradian (DNA)**, have all recently reported positive drill results, giving us optimism that we are likely to benefit from resource extensions that can enhance shareholder returns over the long-term.

Figure 3:

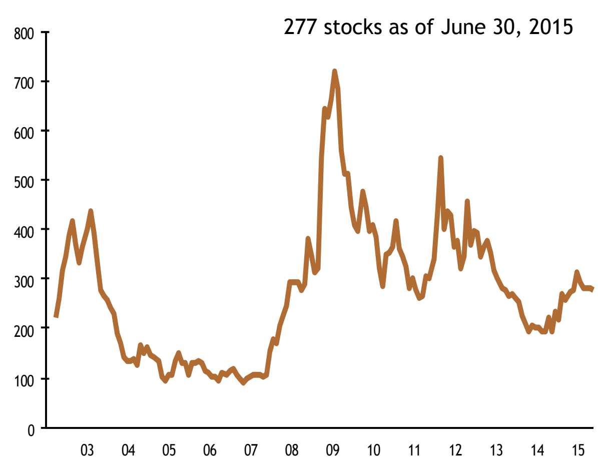
Aegis Value Fund, S&P 500 Index, and Russell 2000 Value Index Historical Price-to-Book Ratio



Source: Aegis Financial Corp and Bloomberg (Data from 9/30/1998 to 06/30/2015

Figure 4:

Number of Stocks Selling Below Tangible Book Value (Market Cap. Greater Than $70 Mil)



Source: U.S. public equity market statistics from Stock Investor Pro (Data from 4/30/2002 to 06/30/2015)

While the price of oil has declined significantly in recent weeks, we continue to believe that the current oil over-supply situation will be worked down as rising worldwide demand and falling supply rationalizes the market much faster than is today believed by most conventional investors. If a turn in energy pricing takes longer than we expect, we take assurance in the knowledge that our portfolio companies generally have debt loads we believe are manageable through what may eventually prove to be a longer downturn. When the cycle does turn, however, these holdings have the potential to deliver returns in excess of 2-3 times. We intend to continue to hold our energy positions pending a turn.

Overall, we continue to work diligently to keep the Fund invested in stocks that we believe trade among the cheapest in the market. As can be seen in **Figure 3**, stocks in the Aegis Value Fund traded at 66.2 percent of book value at quarter-end, up slightly from 63.5 percent of book value at the end of the first quarter. These levels continue to compare favorably to the S&P 500 Index of large-cap stocks, which trade at 279 percent of book value, and even look cheap against the Fund's primary benchmark, the Russell 2000 Value Index, which trades at 150 percent of book value. Aegis employees have in excess of $18 million invested in the Fund. We continue to work diligently to carefully monitor developing risks in the portfolio.

Should you have any questions, our shareholder services reps are available via (800) 528-3780. Should you have any questions at all regarding our Fund's investment approach, you are also welcome to call me personally at (571) 250-0051.

Best regards,

Scott L. Barbee

Please see the followings for important information.

The Aegis Value Fund is offered by prospectus only. Investors should carefully consider the investment objectives, risks, charges and expenses of the fund. The Statutory and Summary Prospectuses contain this and other information about the fund and should be read carefully before investing. To obtain a copy of the fund's prospectus please call 1- 800-528-3780 or visit our website www.aegisfunds.com, where an on-line prospectus is available.

Mutual fund investing involves risk. Principal loss is possible. Investments in foreign securities involve greater volatility and political, economic and currency risks and differences in accounting methods. Investments in smaller and mid-cap companies involve additional risks such as limited liquidity and greater volatility. Value stocks may fall out of favor with investors and underperform growth stocks during given periods.

The Fund's top ten holdings are Alliance One International Inc., Delta Apparel Inc., Photronics Inc., WPX Energy Inc., McDermott International Inc., Tecumseh Products Co., Nevsun Resources Ltd., Mercer International Inc., Echelon Financial Holding Inc., and Resolute Forest Products Inc. As of June 30, 2015, the stocks represent 12.4%, 5.3%, 4.6%, 3.9%, 3.6%, 3.5%, 3.3%, 3.3%, 3.2%, and 3.0%, of total Fund assets respectively. Fund holdings are subject to change and should not be considered a recommendation to buy or sell a security. The letter also refers to Franco Nevada, which is not and has not been a holding of the Fund. Current and future portfolio holdings are subject to risk.

Price to Book: A ratio used to compare a stock's market value to its book value. It is calculated by dividing the current closing price of the stock by the latest quarter's book value per share. **Book Value:** A company's common stock equity as it appears on a balance sheet. **EBITDA:** Earnings before interest, taxes, depreciation, and amortization expense. **S&P 500 Index:** An index of 500 stocks chosen for market size, liquidity and industry grouping, among other factors. The S&P 500 is designed to be a leading indicator of U.S. equities and is meant to reflect the risk/return characteristics of the large cap universe. **Russell 2000 Value Index:** measures the performance of small-cap value segment of the U.S. equity universe. It includes those Russell 2000 Index companies with lower price-to-book ratios and lower forecasted growth values. **Tangible Book Value:** The net asset value of a company, calculated by total assets minus intangible assets (patents, goodwill) and liabilities. **The Russell 2000 Index**: measures the performance of the small-cap segment of the U.S. equity universe and is constructed to provide a comprehensive and unbiased small-cap barometer. The Russell 2000 Index is a subset of the Russell 3000 Index representing approximately 10% of the total market capitalization of that index. It includes approximately 2000 of the smallest securities based on a combination of their market cap and current index membership. C**ash Flow:** A revenue or expense stream that changes a cash account over a given period. **Discount to Book Value:** A company's stock trades at a discount to book value when its market capitalization is less than the book value. **Enterprise Value to EBITDA:** It is a valuation measure calculated as enterprise value divided by earnings before interest, taxes, depreciation, and amortization. **Enterprise Value:** The market capitalization plus debt, less cash. **Bloomberg Commodity Index** (BCOM) is a broadly diversified commodity price index distributed by Bloomberg Indexes. **U.S. dollar Index:** A measure of the value of the U.S. dollar relative to majority of its most significant trading partners. This index is similar to other trade-weighted indexes, which also use the exchange rates from the same major currencies. **Shanghai Composite Index:** A capitalization-weighted index tracking the daily price performance of all A-shares and B-shares listed on the Shanghai Stock Exchange. **Philadelphia Gold & Silver Index:** A capitalization-weighted index including the leading companies involved in the mining of gold and silver.

An investment cannot be made directly in an index.

Equities, bonds, and other asset classes have different risk profiles, which should be considered when investing. All investments contain risk and may lose value.

Opinions expressed are subject to change at any time, are not guaranteed and should not be considered investment advice.

Active investing has higher management fees because of the manager's increased level of involvement while passive investing has lower management and operating fees. Investing in both actively and passively managed mutual funds involves risk and principal loss is possible. Both actively and passively managed mutual funds generally have daily liquidity. There are no guarantees regarding the performance of actively and passively managed mutual funds. Actively managed mutual funds may have higher portfolio turnover than passively managed funds. Excessive turnover can limit returns and can incur capital gains.

Quasar Distributors, LLC is the distributor for the Aegis Value Fund. No other products mentioned in the commentary are distributed by Quasar.